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DE RUEHSJ #0238/01 0911503
ZNR UUUUU ZZH
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FM AMEMBASSY SAN JOSE
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9552
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY

UNCLAS SAN JOSE 000238

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DEPT FOR DAS MADISON, WHA/CEN, WHA/EPSC, WHA/PPC AND EEB
PLEASE PASS TO USTR DOLIVER/AMALITO

E.O. 12958: N/A

TAGS: [CS](#) [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [SNAR](#)

SUBJECT: SCENESETTER FOR DAS MADISON VISIT TO COSTA RICA

REF: A. SAN JOSE 0159

[1](#)B. SAN JOSE 0232

[1](#)C. 07 SAN JOSE 1946

[1](#)D. SAN JOSE 0087

[1](#)E. 07 SAN JOSE 1926

[1](#)1. (SBU) SUMMARY. Embassy San Jose warmly welcomes DAS Kirsten Madison. Your visit to Costa Rica is timely. We should keep the pressure on the GOCR to pass CAFTA implementation laws, encourage the GOCR to continue its close cooperation on counternarcotics and law enforcement issues, and urge the GOCR to address growing domestic security problems, including narco-terrorism. The Arias administration is making progress on all these fronts. All the major parties in the legislature, including the opposition, have agreed to move ahead on the CAFTA legislation in the next few weeks. This follows the entry-in-force extension granted on February 27, and Commerce U/S Padilla's February 28-29 visit (Ref B). We should reinforce his clear message that Costa Rica needs to finish CAFTA implementation quickly and that the extension was "one last opportunity" for Costa Rica. Deteriorating domestic security and rising public concern about crime have finally galvanized the GOCR to act more vigorously. Legislation to reform the criminal justice system has been introduced to the legislature and needs to move ahead. President Arias himself asked Charge Brennan in January for USG assistance to address the security challenges. In a recent development, information uncovered by the Colombian attack on FARC leader Raul Reyes' camp in Ecuador has uncovered FARC links to Costa Rica. Meanwhile, invigorated coast guard leadership has improved maritime cooperation and led to continuing CN successes. The Merida Initiative, if approved, would go a long way toward cementing our CN and law enforcement partnership and beefing up Costa Rica's domestic security needs. Suggested themes for DAS Madison's meetings with President Arias, Minister of Public Security Berrocal, and for her visit to Puntarenas on April 2, are noted below. END SUMMARY.

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CAFTA: STALLED MOMENTUM; NEW OPPORTUNITY
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[1](#)2. (SBU) The legislature had made more progress on CAFTA legislation in the last four months than its predecessor had in the previous four years, but momentum dissipated after the EIF extension was granted (to October 1). The leaders of the 38-seat pro-CAFTA coalition (whom DAS Madison will meet) well understood the urgency, but found it difficult to maintain discipline within their ranks. Over the last month, one member of the Social Christian Unity Party (PUSC) -- Bienvenido Venegas from Puntarenas -- stubbornly refused to support the CAFTA legislation until his home province

received more attention and resources from the central government. Coupled with the opposition's reluctance to cooperate, this blocked quorum on a number of occasions, stalling the legislation. Although Arias, VP Laura Chinchilla and other cabinet ministers visited Puntarenas the week of March 24, and despite GOCR pledges of additional resources for the area, Venegas did not budge. His stubbornness underscored his thinly-veiled true motive; to back ex-President Rafael Calderon (PUSC), who is hoping to overcome corruption charges to run again in 2010. Concerned about further delay, the rest of the PUSC faction, which is strongly pro-CAFTA, decided to work around Venegas and set aside their visceral distrust of the opposition Citizens Action party (PAC). They accepted an agreement, hammered out by Arias's National Liberation Party (PLN) on March 25, to move ahead on the implementing legislation. As its part of the bargain, the GOCR agreed to begin discussion in the legislature of social development, criminal justice and electoral reform initiatives of interest to the PAC, the PUSC and other parties. Although the PAC will not explicitly say so, they have finally agreed to limited cooperation on CAFTA because of their plummeting standing in the polls (see below), consistent public pressure to get CAFTA done, and a very effective private sector (and pro-GOCR) public relations campaign criticizing their intransigence. On March 28, PAC faction chief Elizabeth Fonseca implicitly acknowledged as much to the media.

13. (SBU) Madison's message can thus be a simple "the USG is watching; CAFTA remains important for Costa Rica, the region and the United States; let's get it done." Her interlocutors will also be interested in the state of play in Congress of the Colombian FTA, and the general (anti-trade) tone in the Congress and in the U.S. presidential campaign. Our pushing now may help. Arias remains popular (with a 50 percent good

or very good rating in a UNIMER poll released March 24 and the lowest negative rating -- 14 percent -- since taking office. His PLN party received a 35 percent approval rating in the UNIMER poll, highest of any political party, while the PAC was rated most unfavorably with a 34 percent negative score and national support at only 13 percent. In particular, 43 percent of those polled did not support the PAC's blocking the CAFTA legislation. The stats of the CAFTA legislation is also promising at the moment. Five of 12 bills have been fully approved, and two more should be shortly. Two bills are pending review by the Supreme Court's constitutional chamber (Sala IV), which thus far has not found significant problems with any of the CAFTA legislation it has reviewed, to the relief of the pro-CAFTA forces and the consternation of the opposition. Two bills are under debate (on opening the insurance market and opening the telecom sector), and one has just been introduced (on IPR reform). These last three will face tough debate, however, and USTR-GOCR implementation review continue on all the legislation.

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HAT IS AT STAKE?
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14. (U) Without CAFTA, the textile and the tuna sectors are at risk due to the short-run possibility of the loss of Caribbean Basin Trade Promotion Act (CBTPA) trade preferences on October 1 and the long-run risk that Costa Rica will not have permanent, tariff-free access to the U.S. market. For Costa Rica, both risks would portend a competitive disadvantage with its CAFTA neighbors. Business leaders predict 20,000 jobs in the tuna and textile sectors are at stake. Given that the fishing industry is a key component to the economic health of Puntarenas, the loss of tuna processing jobs would be a significant blow to the local economy. The principal processor, Sardimar (1,300 employees, \$125 million in sales) which DAS Madison will visit on April 2, has said it will have to move to another country if preferential access to the U.S. market is lost. Likewise, in the intensely competitive textile industry, buyers want price certainty which Costa Rican companies currently cannot

provide. Indicative of the uncertainty, the industry contracted from \$730 million in 2002 to \$557 million in 2006.

The Costa Rican textile industry is heavily reliant on the U.S. market and the preferential treatment it receives under the CBTPA (Ref E). The U.S. accounted for 86 percent of its total textile exports in 2006 and CBTPA lowers the U.S. tariff from 18 percent to zero for most textile products. Thus, without an implemented CAFTA, industry uncertainty has reached critical levels as producers openly talk about moving production outside of Costa Rica. DAS Madison will be able to discuss this further with AMCHAM members during her visit.

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DOMESTIC SECURITY: TOP GOCR AND PUBLIC CONCERN
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15. (SBU) Responding to the direct request of President Arias for USG security assistance, and hearing the clear clamor of the Costa Rican people (who consistently list security as their top concern in opinion polls), we are seeking ways to increase our assistance/cooperation to keep Costa Rica and the region free of the influences of narcotraffickers, terrorists and transnational criminals. DAS Madison can underscore that message. Information uncovered in the Colombian attack which killed FARC leader Raul Reyes revealed how far these influences extend. On March 14, the GOCR raided a home in the San Jose area, netting \$480,000 in cash stowed there since the late 1990's and arresting a couple who were apparently long-time FARC sympathizers, and who had hosted a number of visiting FARC leaders over the years. Although GOCR Attorney General Francisco Dall'ene quickly ruled out the couple's extradition to Colombia (should that be requested), Public Security Minister Berrocal has stressed publicly that Costa Ricans cannot sympathize with the FARC cause without also indirectly supporting their narcoterrorist tactics. Because Berrocal also asserted (incorrectly) that evidence from the March 1 raid on Reyes also showed links to (unnamed) Costa Rican politicians, he will testify before the legislature on March 31. This will keep the FARC issue on the public's agenda during DAS Madison's visit, and perhaps during her meetings with government officials.

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EXCELLENT CN COOPERATION CONTINUES
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16. (SBU) Our bilateral counternarcotics cooperation has yielded impressive results over the past two years (Ref C). In 2007 alone the GOCR interdicted more than 30 tons of cocaine and 4.5 tons of marijuana. Second only to Panama among Central American countries in the amount of cocaine seized in 2007 and 2006, Costa Rica seized more cocaine than Mexico in 2006. These impressive numbers represent, we believe, merely the potential for even greater successes against narcotrafficking if Costa Rica had more resources. Due to heavy budgetary demands elsewhere, our INL funding and cooperation has been limited to only \$31K in support from FY2007-2009. The Merida Initiative, if approved, could yield far more impressive results and contribute to even better cooperation and bilateral relations, not to mention seriously damaging major trafficking organizations. GOCR interlocutors will welcome DAS Madison's views on Merida and regional security cooperation.

17. (SBU) DAS Madison will meet with the Minister of Public Security, Fernando Berrocal, whose portfolio would equate to those of Defense and Homeland Security in the U.S. He has control over the regular police, special anti-drug police, a small air surveillance wing, and the coast guard. During the meeting with Berrocal, DAS Madison should underscore and thank him for the positive cooperation that we have with Costa Rica in security matters, especially counternarcotics. Although he has in the past been somewhat prickly about purely "military" assistance, Berrocal is fully on board with our current level of cooperation across the military and civilian spectrum and seeks more support. Berrocal, in addition to possible Merida-funded resources, will likely ask for more helicopters for his small air wing. While worthy of

this kind of support, we just have not had the resources to fulfill this request the last few years. Helicopters are also not currently part of the Merida package for Costa Rica.

As the recent lease of four U.S. helicopters to Guatemala to combat narcotrafficking received considerable coverage in the local press, Berrocal may well make note of this to DAS Madison, and request some similar arrangement.

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FOREIGN AFFAIRS AND REGIONAL RELATIONS

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18. (SBU) Costa Rica's relationship with Nicaragua remains strained due to long-standing differences over navigation rights along the border-defining San Juan river, not to mention a cool personal relationship between the two Presidents. However, last November Nicaraguan President Ortega said he would abide by the future decision of the International Court of Justice to settle the river dispute (Ref D). Although the river dispute was not a topic of discussion at the March 14 meeting of the reestablished "binational commission," Costa Rica and Nicaragua renewed talks to reform immigration issues, the environment, and development of tourism. Costa Rica enjoys close relations with Colombia, and Arias is a strong supporter of President Uribe. During the Padilla visit, Arias offered to do whatever he could to help Uribe, Colombia and the pending US-Colombia FTA.

19. (SBU) Outside the region, Costa Rica's relationship with China has grown significantly since the two countries officially established relations last June. Arias visited China in October, which among other things, resulted in \$20 million from Beijing for disaster relief in the wake of the heavy 2007 rainy season. A large chunk of the \$28 million of additional Chinese assistance will fund the construction of a new national stadium in San Jose. Costa Rica is playing an active role in UN affairs, since returning to the Security Council in January. The GOCR's priorities will be promoting human rights, multilateralism, and disarmament. Despite these consistent themes, Arias's foreign policy has been somewhat disjointed at times -- among the first to recognize Kosovo on the one hand, but also being the first to recognize the "state" of Palestine, on the other. The Arias Administration has established relations with eight nations in the Middle East since 2006: Egypt, Bahrain, Jordan, Kuwait, Lebanon, Oman, Yemen, and "Palestine." In August 2006, Costa Rica moved its embassy in Jerusalem to Tel Aviv, a move that was probably also meant to improve its standing among Arab nations.

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MEETING WITH PRESIDENT ARIAS

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10. (SBU) DAS Madison will meet with President Arias on April 11. He may ask again for increased USG security assistance in addition to more general requests for assistance. In addition, he will probably thank the U.S. for agreeing to the CAFTA implementation extension. During the meeting, we recommend that DAS Madison:

- thank Costa Rica for its steadfast (yet quiet) support for Colombia's Uribe Administration as well as his government's principled policies towards promoting democracy in Cuba and Venezuela;

- congratulate Costa Rica for its record-breaking drug seizures during his administration;

- ask him how relations with Nicaragua are progressing in the wake of the resumption of binational commission meetings; and

- inquire as to the state of free trade negotiations with the EU.

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TRIP TO PUNTARENAS

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¶11. (SBU) DAS Madison's trip to Puntarenas will cover both themes of this visit, CAFTA and security. For the CAFTA-related portion of the trip, DAS Madison will visit the Sardimar Tuna Factory, which employs over 1000 workers and is positioned to benefit from CAFTA. The visit to Sardimar, which will be covered by the local media, will be an excellent opportunity to keep the spotlight on CAFTA implementation. We have also invited some Puntarenas area legislators (including Venegas) to accompany us for the day.

¶12. (SBU) After viewing Sardimar's operations, we will refocus on security issues with a visit to the future location of the main Costa Rican coast guard (SNGC) station at the port of Caldera and then to the existing main SNGC station at Puntarenas. DoD/SOUTHCOM Section 1004 funds will help construct the new pier at Caldera as well as some buildings for the SNGC. The SNGC commander, Martin Arias, will accompany us for the visit. Arias is an operationally-oriented commander and has truly "taken the fight to the enemy," (narcotraffickers). At Puntarenas, you will see a dilapidated coast guard station that has been condemned for the past 15 years, mainly due to lack of resources and mixed leadership. This station is where the majority of Costa Rica's larger patrol boats are docked, including two of their 82-foot patrol craft and their 105-footer, their largest. If the Merida Initiative is approved, these patrol boats, along with several others located at other ports on both the Pacific and Caribbean Coasts, will be totally refitted and modernized to better interdict drug-running operations off-shore.

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